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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 30, 2002

APPLICATION OF

C & P ISLE OF WIGHT WATER COMPANY

CASE NO. PUE010338

For approval of acquisition of  
water supply facility assets and for  
certificates of public convenience  
and necessity pursuant to Virginia  
Code §§ 56-265.2 and 56-265.3

FINAL ORDER

On August 2, 2001, C & P Isle of Wight Water Company ("C & P Isle of Wight" or the "Company") completed an application requesting authority, pursuant to the Utility Transfers Act, Chapter 5 of Title 56 of the Code of Virginia ("Code"), for C & P Isle of Wight to acquire water facility assets from C & P Suffolk Water Company ("C & P Suffolk"). The Company stated that the proposed acquisition would consolidate the operations of companies owned and operated by the same person.<sup>1</sup>

The Company also requested, pursuant to §§ 56-265.2 and 56-265.3 of the Code, certificates of public convenience and necessity ("Certificates") for C & P Isle of Wight to acquire such water facilities and to provide water service to the

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<sup>1</sup> The principals of both C & P Isle of Wight and C & P Suffolk are Ted W. Christian and David D. Pugh, and such persons manage both water systems.

residents of the Idlewood Farms, Hines, Lake Forrest, Lake Meade, Oakridge, Holland, Bennetts Harbor, Becks, Maple Hill, and Deerfield Subdivisions in Isle of Wight County, Virginia, and the Scottswood Subdivision in Southampton County, Virginia. The Company proposed the same rates, rules, and regulations of service for those subdivisions as those currently approved for C & P Suffolk.

On September 13, 2001, the State Corporation Commission ("Commission") issued an Order for Notice and Comment. In that Order, the Commission docketed the matter, directed the Company to provide notice, provided interested persons an opportunity to file comments and request a hearing, and directed its Staff to investigate the matter and file a report detailing its findings and recommendations.

There were two comments filed by customers in the Bennetts Harbor Subdivision, and there were no requests for hearing filed. In their comments, the customers raised issues concerning that system's current level of fluoride, total dissolved solids content, excessive sodium content, and the adequacy of water pressure for household use and fire hydrant flows. The customers also expressed concern that there was no backup generation to ensure an uninterrupted water supply. They also stated that they would like to have their water service provided by the City of Suffolk (the "City").

On December 4, 2001, Staff filed its Report. In its Report, Staff found that the Company was generally in good standing with the Virginia Department of Health-Office of Water Programs ("VDH-OWP") and that there were no significant service problems.

In addressing service issues raised by customers' comments, Staff noted that all of the water systems located in the City currently exceed the primary maximum contaminant level for fluoride ("PMCL"). VDH-OWP recently began the process of bringing each of these systems into compliance with the PMCL fluoride level. Staff noted that VDH-OWP is scheduled to meet with C & P Isle of Wight early in 2002 to discuss the fluoride issue and that Staff will monitor those proceedings. Staff also noted that the Bennetts Harbor water system currently complies with the total dissolved solids standard of VDH-OWP and that there is no standard for sodium content.

Staff stated that the water pressure of the Bennetts Harbor system currently exceeds the amount required by VDH-OWP for household use although such pressure is not adequate to support fire flows. Staff noted that most community water systems do not have water pressure adequate to support fire flows and that VDH-OWP does not have such a requirement. Staff also noted that the Virginia Department of Health's Waterworks Regulations do not require water systems to have backup electric generation.



In addressing customers' desire to have their water supply provided by the City, Staff referenced a July 30, 2001, letter filed by the Director of Public Utilities for the City of Suffolk ("Director"). In that letter, the Director supported the Company's application and noted the City's excellent working relationship with the Company.

Staff concluded in its Report that the proposed transfer would not adversely impact the provision of adequate service to the public at just and reasonable rates. Staff recommended that the Commission grant approval for the proposed transfer of water supply facility assets. Staff also recommended that the Commission require C & P Isle of Wight to submit a report detailing specifics of the transfer transaction to the Commission's Director of Public Utility Accounting within 30 days of the actual transfer.

Staff also concluded that it was in the public interest to grant C & P Isle of Wright its requested Certificates. In addition, Staff recommended approval of the rates, rules, and regulations proposed for the above-referenced subdivisions. Staff also recommended that the Company submit a new tariff that includes the subdivisions formerly served by C & P Suffolk.

On January 22, 2002, counsel for the Company filed a motion for leave to file out of time comments on Staff's Report. In its comments, the Company requested that the Commission adopt

Staff's recommendations. The Company also requested that, for bookkeeping and accounting purposes, it be permitted to reflect January 1, 2002, as the date for the above-referenced acquisition transaction.

NOW THE COMMISSION, having considered the application, the comments thereto, and Staff's Report, is of the opinion and finds that this application should be approved. We find that the public convenience and necessity requires that C & P Isle of Wight acquire the above-referenced water systems. We also believe that such transfer will not impair or jeopardize the provision of adequate service to the public at just and reasonable rates.

Moreover, we find that it is in the public interest for C & P Isle of Wight to provide water service to the subdivisions referenced herein and that the rates proposed for such subdivisions do not appear unjust and unreasonable. We will, therefore, amend C & P Isle of Wight's Certificate to include such subdivisions and cancel the Certificate granted to C & P Suffolk.

We will also grant the Company's motion for leave to file comments out of time. We will also grant, for bookkeeping and accounting purposes, the Company's request to reflect the above-referenced transfer as of January 1, 2002.

Accordingly, IT IS ORDERED THAT:

(1) The Company's motion for leave to file comments on Staff's Report out of time is hereby granted.

(2) Pursuant to §§ 56-89 and 56-90 of the Code of Virginia, C & P Suffolk is hereby granted authority to convey to C & P Isle of Wight the water facility assets of the Idlewood Farms, Hines, Lake Forrest, Lake Meade, Oakridge, Holland, Bennetts Harbor, Becks, Maple Hill and Deerfield Subdivisions in Isle of Wight County, Virginia, and the Scottswood Subdivision in Southampton County, Virginia, as described in the above-referenced application.

(3) C & P Isle of Wight is hereby authorized to acquire from C & P Suffolk the water facility assets detailed herein.

(4) The granting of the above-referenced authority shall have no ratemaking implications.

(5) The Company shall submit a Report of Action to the Commission's Director of Public Utility Accounting no later than thirty (30) days from the date of the transfer, subject to extension by the Director of Public Utility Accounting. Such Report shall detail the date of the transfer, the sales price, and accounting entries reflecting that transfer.

(6) The Company is hereby authorized, for bookkeeping and accounting purposes, to reflect the above-referenced transfer as of January 1, 2002.

(7) C & P Isle of Wight Water Company's Certificate No. W-283(c) is hereby canceled.

(8) C & P Isle of Wight Water Company shall be granted a certificate of public convenience and necessity, Certificate No. W-283(d), to provide water service to the above-referenced subdivisions in Isle of Wight and Southampton Counties in Virginia, as well as those subdivisions authorized in Certificate No. W-283(c).

(9) The Company's proposed rates, charges, fees, and rules and regulations of service for the above-referenced subdivisions are hereby approved.

(10) The Company shall within sixty (60) days from the date of this Order submit to the Commission's Division of Regulation a new tariff incorporating the rates approved herein.

(11) C & P Suffolk Water Company's Certificate No. W-280(b) authorizing it to provide water service to the above-referenced subdivisions in Isle of Wight and Southampton Counties in Virginia is hereby canceled.

(12) This matter is hereby dismissed.